

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

REVISED

Valley View Apartments, located at 101 Silver Dollar Way in Chico, CA, requested and is being recommended for a reservation of \$318,695 in annual federal tax credits and \$956,360 in total state tax credits to finance the new construction of 14 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by D.L. Horn and Associates, LLC. and will be located in Senate District 4 and Assembly District 3.

The project will be receiving rental assistance in the form of MHSA Rental Assistance. The project financing includes state funding from MHSA through CalHFA.

Project Number CA-15-148

Project Name Valley View Apartments
Site Address: 101 Silver Dollar Way
Chico, CA 95928 County: Butte
Census Tract: 13.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$318,695	\$956,360
Recommended:	\$318,695	\$956,360

Applicant Information

Applicant: Palm Communities
Contact: Karen Merritt
Address: 15635 Alton Parkway, Ste. 375
Irvine, CA 92618
Phone: (949) 528-3776
Email: kmerritt@palmcommunities.com

General Partner(s) / Principal Owner(s): PC Chico Valley View Developers, LLC
Northern Valley Catholic Social Services, Inc.

General Partner Type: Joint Venture

Parent Company(ies): Palm Communities
Northern Valley Catholic Social Services, Inc.

Developer: D.L. Horn and Associates, LLC

Investor/Consultant: National Equity Fund, Inc.

Management Agent(s): Northern Valley Catholic Social Services, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 15
 No. & % of Tax Credit Units: 14
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / CDBG
 Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 35 %
 40% AMI: 4 25 %
 50% AMI: 5 35 %

Information

Set-Aside: Special Needs/SRO
 Housing Type: Special Needs
 Type of Special Needs: Homeless / Formerly homeless / At-Risk of homelessness /
 Persons with physical, mental and development disabilities
 % of Special Need Units: 14 units 100%
 Geographic Area: Capital and Northern Region
 TCAC Project Analyst: Marisol Parks

Unit Mix

14 1-Bedroom Units
 1 2-Bedroom Units

 15 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	25%	\$263
4 1 Bedroom	40%	25%	\$263
5 1 Bedroom	50%	25%	\$263
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$374,027
Construction Costs	\$1,870,186
Rehabilitation Costs	\$0
Construction Contingency	\$170,005
Relocation	\$0
Architectural/Engineering	\$412,500
Construction Interest, Perm Financing	\$326,078
Legal Fees, Appraisals	\$165,000
Reserves	\$1,384,670
Other Costs	\$578,549
Developer Fee	\$461,065
Commercial Costs	\$0
Total	\$5,742,080

Project Financing

Estimated Total Project Cost:	\$5,742,080
Estimated Residential Project Cost:	\$5,742,080

Residential

Construction Cost Per Square Foot:	\$139
Per Unit Cost:	\$382,805

Construction Financing

Source	Amount
Chase	\$3,078,221
CalHFA - MHSA	\$1,512,292
City of Chico - HOME	\$261,000
City of Chico - CDBG	\$44,800
City of Chico - Land Lease	\$302,000
Deferred Developer Fee	\$182,068
Tax Credit Equity	\$361,699

Permanent Financing

Source	Amount
CalHFA - MHSA	\$1,512,292
City of Chico - HOME	\$266,000
City of Chico - CDBG	\$44,800
City of Chico - Land Lease	\$302,000
Tax Credit Equity	\$3,616,988
TOTAL	\$5,742,080

Determination of Credit Amount(s)

Requested Eligible Basis:	\$3,187,903
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$4,144,274
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$318,695
Total State Credit:	\$956,360
Approved Developer Fee (in Project Cost & Eligible Basis):	\$461,065
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$0.95490
State Tax Credit Factor:	\$0.59994

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$3,187,903
Actual Eligible Basis:	\$3,534,837
Unadjusted Threshold Basis Limit:	\$2,672,472
Total Adjusted Threshold Basis Limit:	\$3,191,469

Adjustments to Basis Limit:

100% of Units for Special Needs Population

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.
- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas
- Project meets all requirements of US EPA Indoor Air Plus Program.

Local Development Impact Fees

Tie-Breaker Information

First:	Special Needs
Second:	61.089%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: None

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, City of Chico, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual
\$318,695

State Tax Credits/Total
\$956,360

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	2	2	2
Within ¼ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of GreenPoint Rated Program	5	5	5
Develop project to requirements of: Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.